

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 AGR-05 /095 W

----- 101969

R 111410Z MAR 76

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 2341

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

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C O R R E C T E D C O P Y (EC BRUSSELS ADDED AS ADDRESSEE)

PASS AGRICULTURE

EO 11652: N/A

TAGS: EAGR, EEC, DA

SUBJ: DANISH REACTIONS TO EC AG MINISTERS' AGREEMENT

1. SUMMARY: DENMARK IS GENERALLY QUITE SATISFIED WITH THE OUT-
COME OF THE AGRICULTURAL PRICE NEGOTIATIONS. THERE HAS BEEN A
FLURRY OF CONSUMER CRITICISM, PARTICULARLY OF THE DAIRY PRICE HIKE
IN FACE OF MOUNTING SURPLUSES, BUT THE GOVERNMENT AND FARM
SECTOR LEADERS ARE PLEASED WITH PROSPECTIVE INCREASES IN
FARM AND EXPORT EARNINGS THAT WILL RESULT AND THE REDUCTION

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IN THE GERMAN MONETARY COMPENSATORY AMOUNTS.

2. WHILE THE DANISH LEADERSHIP IS IN GENERAL PLEASED, PREDICTABLY NOT ALL DANISH PRODUCERS NOR CONSUMERS WERE COMPLETELY SATISFIED WITH THE FINAL OUTCOME OF LAST WEEK'S PRICE NEGOTIATIONS IN BRUSSELS. MANY PRODUCERS HAD HOPED FOR A RESULT CLOSER TO COPA'S 10.6 PERCENT PROPOSAL WHILE CONSUMER GROUPS POINT TO THE PARADOX OF PRICE INCREASES FOR PRODUCES WHICH ARE IN UNMANAGEABLE SURPLUS ALREADY. FARM ORGANIZATION LEADERS, ALTHOUGH PUBLICLY REGRETTING THE AVERAGE INCREASE WAS NOT LARGER (7.8 PERCENT FOR DANISH FARMERS), ARE IN REALITY GENERALLY SATISFIED WITH THE RESULT FOR DANISH AGRICULTURE AND WOULD IN FACT HAVE PREFERRED A SOMEWHAT SMALLER INCREASE.

3. NONETHELESS, BOTH THE GOVERNMENT AND FARM LEADERS ARE CONCERNED THAT DISSATISFACTION IN OTHER MEMBER COUNTRIES THAT THE INCREASES WERE NOT HIGHER MAY SET OFF A NEW WAVE OF NATIONAL SUBSIDIES, CONSIDERED TO BE THE MOST DISTURBING AND DISTORTING ELEMENT FOR DANISH AGRICULTURE DURING THE PAST YEAR OR SO. DENMARK WOULD HAVE ESPECIALLY PREFERRED SMALLER GRAIN PRICE INCREASES AND MORE LONG-TERM MEASURES IN THE DAIRY SECTOR TO REDUCE SURPLUSES. THE DANES DO NOT LIKE THE NONFAT DRY MILK DISPOSAL SCHEME. THE PRESS, BY AND LARGE POSITIVE, HAVE LAUDED MINISTER OF AGRICULTURE DALSAGER FOR HIS SUCCESS IN OBTAINING A 25 PERCENT REDUCTION IN GERMAN MONETARY COMPESATORY AMOUNTS, WHICH WAS PREFIXED AS AN ABSOLUTE CONDITION FOR DANISH AGREEMENT.

4. THE AVERAGE INCREASE IN THE FARM PRICE SAFETY NET WILL BE 7.8 PERCENT IN DENMARK. THE GOVERNMENT ESTIMATES THAT AS A RESULT FARM PRODUCT SALES VALUE WILL INCREASE BY 600 MILLION KRONER, 500 MILLION OF WHICH WILL COME FROM EXPORT MARKETS AND 100 MILLION FROM DOMESTIC CONSUMERS. FOOD RETAIL PRICES WILL INCREASE BY 2 PERCENT AND RAISE ALL CONSUMER PRICES BY ABOUT ONE-HALF PERCENT. IMMEDIATE IMPACT WILL BE REGISTERED ON DAIRY CONSUMER PRICES (0.07 KRONE/LITER FOR MILK AND 0.80 KRONE/KG. FOR BUTTER), AND TO SMALL EXTENT ON BEEF. MARKET PRICES FOR PORK ARE CONSIDERABLY ABOVE BASE PRICE AND INCREASE WILL HAVE NO DIRECT EFFECT. THE ITALIAN 6 PERCENT GREEN LIRE DEVALUATION WILL MEAN REDUCED EXPORT LIMITED OFFICIAL USE

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EARNINGS ON DANISH VEAL AND OTHER PRODUCTS SHORT-TERM, BUT THER IS CONFIDENCE THAT DANISH EXPORT PRICES TO ITALY CAN BE INCREASED TO A CORRESPONDINGLY HIGH LEVEL RELATIVELY RAPIDLY.

5. IN RESPONSE TO CONSUMER CRITICISM, THE FARMERS UNION PRESIDENT POINTED OUT THAT 500 OF THE 600 MILLION KRONER GAIN FOR DANISH FARMERS WILL BE PAID BY FOREIGN CONSUMERS, LEAVING ONLY 100 MILLION TO BE FINANCED FROM THE DOMESTIC MARKET,

THAT FARMERS WILL HAVE TO PAY 300 MILLION KRONER OF THEIRP
INCREASED EARNINGS IN INCOME TAX AND THAT THE LATTER REVENUE
COULD BE USED TO CONTINUE CONSUMER SUBSIDIZATION OF MILK
PRICES. HE ALSO REPEATED USUAL ARGUMENTATION THAT TO AVOID
FOOD SHORTAGE SITUATIONS AND MARKET FLUCTUATIONS, EC
PRODUCTION MUST BE MAINTAINED ABOVE CONSUMPTION AND THAT
THIS CAN LEAD TO CERTAIN SURPLUSES WITH DISPOSAL COSTS BEING
INCURRED. HE FOUND IT PECULIAR THAT DANISH CONSUMER
CRITICISM IS SO STRONG CONSIDERING DENMARK'S LARGE GAINS
IN FOREIGN EXCHANGE EARNINGS FROM THE CAP.
DEAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL PRICES, PRICE TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976COPENH00845
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760093-0601
From: COPENHAGEN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760372/aaaacpls.tel
Line Count: 126
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2004 by MartinML>; APPROVED <29 JUL 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DANISH REACTIONS TO EC AG MINISTERS' AGREEMENT
TAGS: EAGR, DA, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006